

Questar will ask for rate increase

To offset natural gas cost, utility proposes two 20 percent hikes

By Steven Oberbeck
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Utah consumers may pay as much as 20 percent more for the natural gas used in their homes this summer, and possibly 20 percent beyond that this coming winter.

Questar Gas Co., the utility that provides most Utahns with the natural gas used to heat their homes and warm their showers, intends to file a proposed "pass-through" rate increase with the state's Public Service Commission this week.

"This [proposed] increase will take things back to where we were in 2005," Questar Gas Chief Executive Alan Allred told *The Salt Lake Tribune* editorial board Wednesday. At that time, Utahns were paying about 40 percent more for the natural gas burned in their homes.

Questar Gas makes its money by charging its customers to deliver natural gas to their homes and businesses. It doesn't make any money off the natural gas itself. In pass-through rate cases, the utility is seeking merely to adjust the amount it charges its customers so it can recapture the money it expects to spend buying natural gas for delivery over its system.

Allred said Questar will be asking state utility regulators to approve the full increase. However, it wants to implement the increase in two phases - half in early July and the rest beginning in October so that Utahns don't have to bear the full increase all at once.

If the PSC approves Questar's request, the average Utah natural gas customer will end up paying about \$12.50 more a month beginning in July and an additional \$12.50 this coming winter.

Ronald Jibson, a Questar Gas executive vice president, pointed out that since 2005 the last four pass-through rate adjustments lowered the cost that Utahns were paying for their natural gas by approximately 30 percent.

During that time, declining natural gas costs resulted in Questar requesting rate decreases of 7.9 percent on Feb. 1, 2006; 3.6 percent on April 7, 2006; 10.3 percent on Nov. 1, 2006; and 8.9 percent on Nov. 1, 2007.

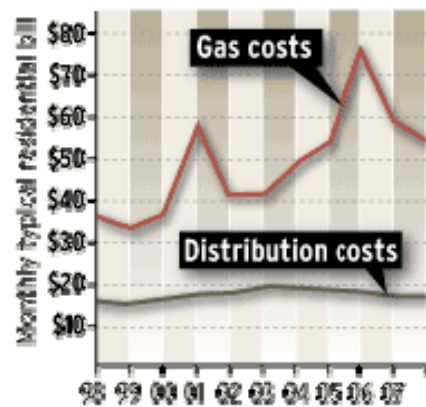
Unlike general rate cases, where the company requests higher customer payments to cover the rising costs associated with its distribution system, pass-through rate adjustments typically are uncontested. The reason: Questar can easily establish what it had to pay for the natural gas it supplied its customers.

"We understand that market forces are at work here," said Michele Beck, director of the state's Committee of Consumer Services. "But we will be checking to make sure that everything is correct."

Questar Gas also has a general rate case pending before the PSC in which it is asking to raise its rate by approximately \$22 million, or about \$3 per customer. The PSC is expected to rule on that rate hike request this fall.

What Utahns pay for natural gas

Almost all the changes Utahns see in their monthly Questar bills result from fluctuating natural gas prices. Questar's gas distribution costs have remained flat.



Source: Questar Gas
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